

Message Text

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ACTION AF-18

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

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CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 3379

UNCLAS SECTION 1 OF 2 LAGOS 02728

E.O. 11652 : N/A

TAGS : EFIN, NI

SUBJ : GENERAL GOWON'S BUDGET SPEECH FISCAL 1974/75

1. SUMMARY. IN MARCH 3 BUDGET SPEECH (AIR POUCHING TEXT) GENERAL GOWON PAINTED CONFIDENTLY OPTIMISTIC PICTURE OF YEAR AHEAD. THANKS TO OIL REVENUES, FEDERAL BUDGET WILL BE IN EFFECTIVE BALANCE, WITH REVENUES AND EXPENDITURES DOUBLE THOSE OF FY 1973; TRADE ACCOUNT WILL SHOW RECORD EXPORT SURPLUS; POSITIVE BALANCE OF PAYMENTS WILL LEAD TO FURTHER ACCUMULATION OF RESERVES; AND DEVELOPMENT SPENDING WILL BE FUNDED ALMOST ENTIRELY OUT OF CURRENT REVENUES. GENERAL GAVE PRIDE OF PLACE TO CONCERN ABOUT RISING COST OF LIVING. HE CITED PLANNED REDUCTIONS IN EXCISE AND IMPORT DUTIES ON FOODSTUFFS, RAW MATERIALS, BUILDING MATERIALS, CONSUMER GOODS NOT PRODUCED LOCALLY. HE ALSO STRESSED FMG'S SHORT AND LONG RUN EMPHASIS ON EXPANDING DOMESTIC FOOD PRODUCTION. LIST OF HITHERTO PROHIBITED IMPORTS WAS REDUCED, AND PAYMENT FOR IMPORTS PUT ON CURRENT BASIS. SO WAS REMITTANCE OF PROFITS AND DIVIDENDS. GENERAL POINTEDLY REJECTED IDEA THAT RECENT INCREASES

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IN CRUDE OIL PRICES WERE UNREASONABLE, AND DECLARED IT WOULD

BE WRONG TO REDUCE OIL PRICES SO LONG AS PRICES OF MANUFACTURED GOODS CONTINUING TO RISE. HE ADDED THAT PARTICIPATION NEGOTIATIONS WITH FOREIGN OIL PRODUCERS WOULD BE CONCLUDED THIS YEAR, AND FMG WOULD ALSO ACT TO TAKE INTEREST IN DOMESTIC MARKETING. IN LITANY OF MAJOR PROJECTS UNDER CONSIDERATION, GENERAL SAID STUDIES OF LNG AND PETROCHEMICAL PROJECTS IN "ADVANCED STAGE" AND PARTNERS FOR JOINT VENTURES WOULD BE SELECTED THIS YEAR. GOWON TOUCHED ONLY IN PASSING ON AFRICAN NEGOTIATIONS WITH EEC, AND FOR WEST AFRICAN ECONOMIC COMMUNITY. ALTHOUGH ENDORSING WHOLEHEARTEDLY AIMS OF INDIGENIZATION DECREE (EFFECTIVE APRIL 1) GENERAL AVOIDED DRAMATIZATIONS. HE TREATED IT AS INEVITABLE AND DESIRABLE BUT MATTER OF FACTLY. HE CLOSED SPEECH WITH ASSERTION THAT ECONOMIC PROSPECTS VERY BRIGHT BUT NIGERIA NOT YET A RICH COUNTRY, AND ESSENTIAL TO SPEND ITS INCREASED REVENUES WISELY. COMMENT: EMPHASIS THROUGHOUT WAS ON PRUDENT AND RESPONSIBLE MANAGEMENT OF ECONOMY, WITH SPECIAL ATTENTION TO COST OF LIVING AND LIBERALIZATION TRADE AND PAYMENTS. GENERAL'S ESTIMATE OF FY 1974 REVENUES AT N 3.1 BILLION SEEMS TO US CONSIDERABLY UNDERSTATED (OUR ESTIMATE IS CLOSER TO N5.0 BILLION) BUT THIS IN KEEPING FMG'S CUSTOMARILY CONSERVATIVE APPROACH. END SUMMARY.

2. NOTE: BUDGET NOT YET AVAILABLE NOR ARE DETAILS OF EXCISE, TARIFF, IMPORT AND FOREIGN EXCHANGE LIBERALIZATIONS. WILL SUBMIT AS THESE BECOME AVAILABLE.

3. GENERAL GOWON ESTIMATED FEDERAL REVENUES FOR FISCAL 1974/75 (APRIL 1, 1974 TO MARCH 31, 1975) AT NAIRA 3.1 BILLION (OVER 80 PER CENT FROM OIL) AND EXPENDITURES AT NAIRA 2.6 BILLION (ONE NAIRA EQUALS DOLS1.52). FEDERALLY RETAINED REVENUES WOULD AMOUNT TO N 2.5 BILLION WITH N9.6 BILLION ACCRUING TO STATES AUTOMATICALLY. FEDERAL GOVERNMENT EARMARKING ADDITIONAL N 0.4 BILLION IN GRANTS TO STATES. (COMPARABLE FIGURES IN FISCAL 1973 BUDGET PUT FMG REVENUE AT N 1.4 BILLION WITH STATUTORY ALLOCATIONS TO STATES OF N 0.3 BILLION.)

4. GENERAL NOTED THAT EXTERNAL FINANCE PLAYING EVER DIMINISHING ROLE IN NIGERIAN DEVELOPMENT PROGRAM. HE ESTIMATED THAT FOR FISCAL 1974 FMG CAPITAL EXPENDITURES UNCLASSIFIED

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WOULD TOTAL N 1.6 BILLION AND THAT ALL BUT N 0.1 BILLION WOULD BE GENERATED FROM CURRENT REVENUE SURPLUS. FEDERAL GOVERNMENT'S RECURRENT EXPENDITURES FOR FISCAL 1974 PUT AT N 1.0 BILLION.

5. GENERAL RECKONED CALENDAR 1973 VALUE OF EXPORTS AT N 2.2 BILLION (ALMOST 85 PER CENT FROM OIL) AND IMPORTS AT N1.2 BILLION (AS COMPARED 1972 FIGURES OF N1.4 BILLION FOR

EXPORTS AND N1.0 BILLION FOR IMPORTS.) BALANCE OF PAYMENTS
ESTIMATES FOR FISCAL 1974 PUT TOTAL OUTFLOW AT N 2.7 BILLION
AND RECEIPTS AT N 3.2 BILLION.

6. FOCUSING ON RISING COST OF LIVING, GENERAL ANNOUNCED
FMG PLANS TO REDUCE EXCISE TAXES ON DOMESTICALLY PRODUCED
INDUSTRIAL GOODS AND IMPORT DUTIES ON RAW MATERIALS AND ON
MANUFACTURED GOODS NOT PRODUCED LOCALLY. DETAILS STILL TO
COME BUT GENERAL'S CALCULATION WAS THAT IMPORT DUTIES ON RAW
MATERIALS WOULD AVERAGE ABOUT 10 PER CENT AND EXCISE
DUTIES ABOUT 5 PER CENT. BUILDING MATERIALS NOT PRODUCED
LOCALLY WOULD ALSO BENEFIT FROM REDUCTION IN IMPORT DUTIES
(TO MAXIMUM OF 10 PER CENT) AND THERE WOULD BE "CRASH
PROGRAMS" TO EXPAND DOMESTIC PRODUCTION OF CEMENT.

7. IMPORT DUTIES ON SELECTED FOODSTUFFS, INCLUDING RICE
AND CORN, ALSO TO BE REDUCED IN EXPECTATION INCREASED IMPORTS
RESULTING FROM DROUGHT SITUATION, AND NIGERIAN NATIONAL
SUPPLY COMPANY (AN AGENCY OF FMG) WOULD BE GIVEN ADDITIONAL
FUNDS IN ORDER IMPORT ESSENTIAL CONSUMER GOODS, INCLUDING MILK
AND BUILDING MATERIALS.

8. GOWON STRESSED FMG'S LONG RUN AIM OF INCREASING DOMESTIC
FOOD PRODUCTION. FMG ITSELF INVESTING IN LARGE SCALE
AGRICULTURE AND THROUGH NATIONAL ACCELERATED FOOD PRODUCTION
CAMPAIGN WILL MAKE AVAILABLE TO FARMERS SEEDS, FERTILIZERS
AND OTHER INPUTS. NIGERIAN AGRICULTURAL BANK NOW FULLY
OPERATIONAL AND FARMERS' COOPERATIVE DIVISION WILL BE
ESTABLISHED IN THIS FINANCIAL YEAR. IN ORDER ENCOURAGE
TRADITIONAL EXPORT CROPS FMG WILL ABOLISH PRODUCE SALES
TAX AND INCREASE PRODUCER PRICES FOR PALM OIL AND KERNELS,
COFFEE, COCOA, PEANUTS, SOY BEANS, SEED COTTON.

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9. GENERAL ANNOUNCED THAT RISING REVENUES AND RESERVES
WOULD MAKE POSSIBLE ABOLITION 90 DAY WAIT FOR IMPORT
PAYMENTS. THESE WILL BE PUT ON CURRENT BASIS. REMITTANCES
OF "PROFITS AND DIVIDENDS" WILL ALSO BE AUTHORIZED ON CUR
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ACTION AF-18

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PM-07 SAM-01 SCI-06 TAR-02 AGR-20 EUR-25 DRC-01 PA-04

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 3380

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12. TURNING TO SO-CALLED INDIGENIZATION DECREE (ENTERPRISES PROMOTION DECREE OF 1972) WHICH BECAME EFFECTIVE APRIL 1, GENERAL OFFERED ASSURANCES THAT IN SPITE OF RECENT FMG DECISIONS TO TRANSFER CERTAIN ENTERPRISES FROM SCHEDULE 1 TO SCHEDULE II OF DECREE (I.E. FROM 100 PER CENT NIGERIAN EQUITY PARTICIPATION TO 40 PER CENT) FMG'S ACTIONS IN APPLICATION THIS DECREE WOULD BE GUIDED STRICTLY BY NATIONAL INTEREST. HE EXPRESSED CONFIDENCE IN EVENTUAL SUCCESS OF INDIGENIZATION, NOTING THAT FMG HAD TAKEN STEPS TO IMPROVE NIGERIAN MANAGERIAL SKILLS, AND TO MAKE AVAILABLE TO NIGERIANS FUNDS NEEDED TO BUY UP EXPATRIATE FIRMS. IN POINTED REJECTION OF ALLEGATION FREQUENTLY HEARD IN LAGOS THAT DECREE WILL SERVE MAINLY TO ENRICH FEW PRIVILEGED NIGERIAN BUSINESSMEN GOWON STRESSED THAT ITS PURPOSE WAS TO PROMOTE GREATER AND MORE EFFECTIVE PARTICIPATION OF ALL NIGERIANS IN ECONOMIC LIFE OF NATION. HE ALSO ANNOUNCED PLANS FOR UNIFORM PERSONAL INCOME TAX

THROUGHOUT NIGERIA (PERSONAL INCOME TAX NOW STATE RESPONSIBILITY).

13. GENERAL EXPRESSED APPRECIATION TO WORKERS AND TRADE

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UNIONS FOR THEIR RESTRAINT IN FACE OF RISING LIVING COSTS. HE ADDED THAT WAGE FREEZE, ALREADY IN EFFECT FOR 2 YEARS, WOULD BE REVIEWED THIS AUGUST IN LIGHT OF EXPECTED REPORT OF PUBLIC SERVICE REVIEW COMMISSION.

14. EMPHASIZING ROLE OF COMMERCIAL BANKS IN MAKING INDIGENIZATION WORK, GENERAL ADDED THAT FMG PLANNING ADDITIONAL ASSISTANCE TO INDIGENOUS COMMERCIAL BANKS TO FACILITATE THEIR SUPPORT OF NIGERIAN BUSINESSMEN AND INDUSTRIALISTS. HOWEVER, FMG ALSO PLANNING NEW LEGISLATION TO EXTEND BANKS' DEBT COLLECTION POWERS AND BANKRUPTCY ACT THAT WOULD IMPOSE CIVIL AND OTHER LIMITATIONS AND BANKRUPTS.

15. GENERAL TOUCHED ONLY BRIEFLY ON NEGOTIATIONS WITH EEC, CONFINING HIMSELF TO STATEMENT THAT NIGERIA, IN COOPERATION WITH OTHER AFRICAN, CARRIBEAN AND PACIFIC COUNTRIES, SEEKING JUST AND EQUITABLE TERMS OF TRADE.

16. INTER AFRICAN ECONOMIC COOPERATION ALSO DEALT WITH BRIEFLY BUT FIRMLY, IN DECLARATION THAT NIGERIA "RELENTLESSLY" PURSUING OBJECTIVE OF ECONOMIC COMMUNITY OF WEST AFRICAN STATES "EMBRACING WHOLE OF WEST AFRICA AND WHICH WILL CUT ACROSS LANGUAGE AND OTHER BARRIERS."

17. GENERAL TICKED OFF LONG LIST OF INDUSTRIAL AND INFRASTRUCTURE PROJECTS THAT FMG HAS UNDER WAY, IS ABOUT TO UNDERTAKE, OR IS CONSIDERING. PROGRESS ON SECOND REFINERY AT WARRI DESCRIBED AS SATISFACTORY WITH DESIGN STUDIES TO BE COMPLETED THIS YEAR, AND FOR FIRST TIME POSSIBILITY OF EXPORT REFINERIES WAS PUBLICLY AIRED. LONG AWAITED LNG AND PETROCHEMICAL PROJECTS WERE SAID TO HAVE REACHED "ADVANCED STAGE" WITH SELECTION OF PARTNERS FOR JOINT VENTURES WITH FMG DUE IN COMING YEAR. TWO PASSENGER CAR ASSEMBLY PLANTS AT LAGOS AND KADUNA (VOLKSWAGEN AND PEUGEOT) EXPECTED TO PRODUCE FIRST "MADE IN NIGERIA" CAR BY 1975, AND SELECTION OF PARTNERS FOR COMMERCIAL VEHICLE ASSEMBLY WOULD BE MADE "BEFORE LONG." SUPERPHOSPHATE PLANT AT KADUNA "SHOULD BE IN PRODUCTION" THIS YEAR, AND HE HOPED THAT NEGOTIATIONS FOR NITROGENOUS FERTILIZER MANUFACTURE "WOULD REACH FRUITION SOON" SALT AND SUGAR PROJECTS UNDER WAY, AND DECISION ON SITING AND DESIGN OF STEEL MILL WOULD BE TAKEN UPON OUTCOME
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"VARIOUS INVESTIGATIONS NOW PROCEEDING." ENUGUAIRPORT SHOULD BE COMPLETED IN SEPTEMBER; TENDERS BEING EVALUATED FOR CONSTRUCTION AT LAGOS, CALABAR, JOS, ILORIN, KANO AS PART OF FIRST PHASE CIVIL AVIATION PROGRAM, AND CONSTRUCTION AT PORT HARCOURT, BENIN, IBADAN, KADUNA, SOKOTO, MAIDUGURI EXPECTED TO COMMENCE THIS FINANCIAL YEAR. FMG WILL ISSUE SOON DECREE ESTABLISHING AIRPORT AUTHORITY WITH RESPONSIBILITY MANAGEMENT OF ALL AIRPORTS. NIGERIAN NATIONAL SHIPPING LINE WILL ACQUIRE CONTAINER SHIP, AND NIGERIAN PORTS AUTHORITY WILL COMMENCE SOON WORK ON APAPA WHARF EXTENSION. TEACHING HOSPITALS WILL BE EXPANDED AT CAPITAL COST OF N19 MILLION. A TOTAL OF N7 MILLION WILL BE ALLOCATED TO PROMOTE SPORTS DEVELOPMENT. GRANTS TO STATES WILL INCLUDE N 180 MILLION FOR HOUSING; N83 MILLION FOR EDUCATION; N34 MILLION FOR AGRICULTURE; N48 MILLION FOR WATER SUPPLY; N9 MILLION FOR HEALTH PROJECTS.

18. GENERAL MADE SPECIAL MENTION OF PLANS TO INTRODUCE UNIVERSAL FREE AND COMPULSORY PRIMARY EDUCATION, CONCEDED THIS PROGRAM GIGANTIC AND FAR REACHING IN ITS IMPLICATIONS

BUT ASSERTING NO PRICE IS TOO HIGH FOR THIS INSTRUMENT OF
NATION BUILDING.
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Message Attributes

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